AR26

ANNUAL REPORT

YEAR ENDED MAY 31, 1966

GENERAL OFFICES: 2727 SOUTH TROY STREET, CHICAGO, ILLINOIS 60623
CANADIAN OFFICE: 43 UPTON ROAD, SCARBOROUGH, ONTARIO, CANADA

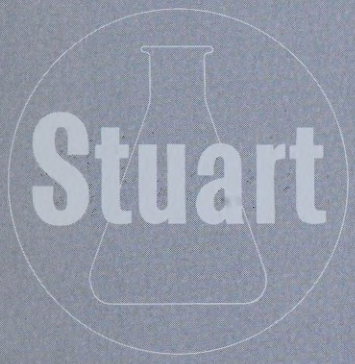
Established 1865

D. A. Stuart OIL CO., LIMITED

D. A. STUART OIL CO., LIMITED

Serving the metalworking industry

over 100 years



DIRECTORS AND OFFICERS

DIRECTORS

JOHN D. BRYCE
M. CLIFFORD DEANS
DANIEL GIANNINI
RAYMOND M. LARSON
GORDON McMILLAN
HERBERT W. SALTHOUSE
JAMES P. TOMLINSON

OFFICERS OF THE COMPANY

Chairman of the Board	JOHN D. BRYCE
President & General Manager	JAMES P. TOMLINSON
Vice President	RAYMOND M. LARSON
Treasurer	HARRY O. BUNN
Secretary	HERBERT W. SALTHOUSE

TRANSFER AGENTS AND REGISTRARS

NATIONAL TRUST COMPANY LIMITED
21 King Street East
Toronto 1, Ontario

D. A. STUART OIL CO., LIMITED
2727 S. Troy Street
Chicago, Illinois 60623

Raymond M. Larson
Vice President

James P. Tomlinson
President & General Manager

Harry O. Bunn
Treasurer

REPORT OF THE DIRECTORS

TO THE SHAREHOLDERS

Your Directors submit herewith the Annual Report of your Company, including the financial statements for the year ended May 31, 1966 and the Auditor's report dated June 24, 1966. This was our 101st year of service to the metalworking industry. Again, this year marked a new high in operating profits.

The consolidated operating profits for the fiscal year before taxes were $1,179,698 as compared to $1,016, 465 for the previous year. After providing $561,679 for taxes on income, the net profit for the year ended May 31, 1966 amounted to $618,019 as compared to $517,219 for the previous year. This represents earnings of $5.42 a share (U.S. dollars) as compared to $4.53 a share (U.S. dollars) for the year ended May 31, 1965.

SALES

The consolidated sales were $10,459,046, the previous fiscal year figure was $9,376,649. Metalworking production continued at a record rate world-wide, accounting in large part for this sales increase. Whether this high metalworking production rate will continue throughout the new fiscal year is questionable. However, the accomplished expansion in the Stuart product line indicates that sales and profits will continue at a satisfactory level.

Canadian D. A. Stuart Oil Co. Limited and D. A. Stuart Oil Co. (G.B.) Limited, wholly owned subsidiaries of D. A. Stuart Oil Co., Limited, both reported substantial increases in profits and sales over the previous fiscal year.

World-wide distributors on balance, reported a sizeable increase in sales of Stuart products.

RESEARCH

Stuart's diversified program of research and process and product development enhances the company's competitive strength and ability to open new markets for Stuart products.

In this past year, product development on chemical surface coatings and allied cleaning compounds resulted in new Stuart products for this large marketing field.

Product development on soluble oil concentrates continues at a most satisfactory pace.

DIVIDENDS

During the year four quarterly dividends and two extra dividends were paid totaling $1.95 per share (Canadian dollars). Income retained was $406,259.

PRODUCTION

The continuing upward trend in demand for quality metalworking products, has resulted in the decision to purchase the Chicago bulk plant and warehouse that has been under lease.

Mixing kettles and a production drum washing unit have been installed in this plant. Other production equipment will follow. A total of $109,762.89 was spent on modernizing production equipment in the United States in the past fiscal year.

In other countries, metalworking production has kept pace with the production progress in the United States. Operating rates overseas are as high as our own. Additional production equipment has therefore been added to the English and Canadian plants.

TAXES

The Government of Canada has seen fit this year to introduce a new 5% refundable tax based mainly on cash flow. We have protested the imposition of this tax (whose avowed purpose is to dampen the boom in Canada by siphoning off corporate cash and thus limit capital expenditures for expansion) on companies such as ours where over 90% of the profit is earned outside the country and over 90% of the capital expenditures are made outside Canada. However, to date we have received no relief and this along with the prepayment of current taxes recently imposed in U.S.A. places an increasing pressure on our cash position.

EMPLOYEES

The excellent cooperation of all employees and their continued loyalty and assistance is sincerely appreciated by the management and directors.

ON BEHALF OF THE BOARD OF DIRECTORS

John D. Bryce
Chairman of the Board

James P. Tomlinson
President and General Manager

D. A. STUART OIL CO., LIMITED AND

CONSOLIDATED STATEMENT OF INCOME

	Year ended May 31, 1966	Year ended May 31, 1965
Sales	$10,459,046	$ 9,376,649
Cost of sales	7,480,878	6,743,162
Gross margin	2,978,168	2,633,487
Operating and general expenses (net)	1,798,470	1,617,022
Income before undernoted taxes	1,179,698	1,016,465
Taxes on income	561,679	499,246
Net income for year	$ 618,019	$ 517,219

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year ended May 31, 1966	Year ended May 31, 1965
Retained earnings at beginning of year	$2,374,029	$2,054,602
Net income for year	618,019	517,219
	2,992,048	2,571,821
Dividends declared ($2.00 per share in 1966; $1.75 in 1965; Canadian dollars)	211,760	185,280
Adjustment arising on translation of net assets at June 1, 1964 to United States dollars		12,512
	211,760	197,792
Retained earnings at end of year	$2,780,288	$2,374,029

TS WHOLLY OWNED SUBSIDIARIES

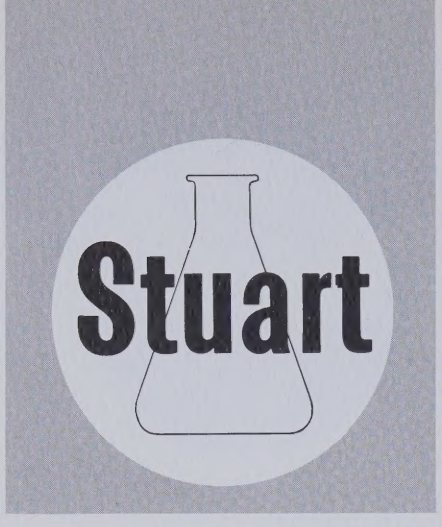
CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

Year ended May 31, 1966

Source of funds:		
Net income for year	$618,019	
Add Depreciation, which does not involve an outlay of funds	111,548	$729,567
Use of funds:		
Dividends declared	211,760	
Additions to fixed assets	155,314	
Reduction of bank term loan	100,000	
Canadian refundable tax	2,508	469,582
Net increase in working capital		$259,985

TEN YEAR COMPARATIVE REVIEW OF OPERATIONS

Year Ended May 31	Sales	Net Income Before Taxes	Taxes on Income	Net Income for Year	Dividends Declared	Income Retained
1966	$10,459,046	$1,179,698	$561,679	$618,019	$211,760	$406,259
1965	9,376,649	1,016,465	499,246	517,219	185,280	331,939
1964	7,988,488	912,193	445,319	466,874	171,096	295,778
1963	7,021,539	745,969	365,798	380,171	142,580	237,591
1962	6,612,077	568,391	277,853	290,538	142,580	147,958
1961	5,535,205	491,367	242,668	248,699	170,952	77,747
1960	6,220,555	674,232	340,760	333,472	142,309	191,163
1959	5,273,087	506,145	254,420	251,725	113,173	138,552
1958	4,616,571	283,346	137,955	145,391	138,824	6,567
1957	4,637,454	464,761	230,319	234,442	136,384	98,058



D. A. STUART OIL CO., LIMITED AND

Incorporated under the laws of Ontario

CONSOLIDATED BALANCE SHEET

ASSETS

	May 31, 1966	May 31, 1965
CURRENT ASSETS:		
Cash	$ 322,459	$ 497,425
United States 3.75% Treasury Notes, due August 15, 1967, at cost	197,250	
Accounts receivable	1,295,524	1,230,162
Inventories, at the lower of cost or market	836,693	691,873
Drums, other containers and supplies	145,234	116,100
Advances and prepaid expenses	82,075	54,727
	2,879,235	2,590,287
MARKETABLE SECURITIES:		
Market value 1966, $28,861; 1965, $35,310; Canadian dollars	34,308	34,308
OTHER INVESTMENTS, AT COST:		
Shares in other companies (market value not determinable)	29,271	29,271
Canadian special refundable tax	2,508	
	31,779	29,271
FIXED ASSETS,		
At depreciated values as appraised by The American Appraisal Company as at June 1, 1952 with subsequent additions at cost:		
Land	76,209	76,209
Buildings	877,809	874,351
Factory equipment	882,140	790,650
Office and laboratory equipment	178,395	156,052
Aircraft	9,984	9,984
Automotive equipment	68,787	35,859
	2,093,324	1,943,105
Less Accumulated depreciation since date of appraisal	896,476	790,023
	1,196,848	1,153,082
FORMULAE, TRADEMARKS AND GOODWILL, AT COST	80,771	80,771
	$4,222,941	$3,887,719

TS WHOLLY OWNED SUBSIDIARIES

LIABILITIES

	May 31, 1966	May 31, 1965
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 505,815	$ 434,995
Income taxes payable	162,473	206,777
Other taxes payable	56,445	68,123
Dividend payable	31,724	26,403
Liability for returnable containers	61,588	52,784
Principal instalments due within one year on bank term loan	80,000	80,000
	898,045	869,082
LONG-TERM LIABILITY:		
5% Bank term loan, payable $20,000 quarterly	200,000	300,000
Less Principal instalments due within one year included under current liabilities	80,000	80,000
	120,000	220,000
TOTAL LIABILITIES	1,018,045	1,089,082

SHAREHOLDERS' EQUITY

CAPITAL STOCK:		
Authorized, 200,000 common shares of no par value		
Issued, 114,064 shares	424,608	424,608
RETAINED EARNINGS (note 2)	2,780,288	2,374,029
	3,204,896	2,798,637
	$4,222,941	$3,887,719

The accompanying notes are an integral part of this statement.

APPROVED ON BEHALF OF THE BOARD

JOHN D. BRYCE
Director

J. P. TOMLINSON
Director

This is the balance sheet referred to in our report to the shareholders dated June 24, 1966.

Thorne, Mulholland, Howson & McPherson

Chartered Accountants

D. A. STUART OIL CO., LIMITED AND

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

Year ended May 31, 1966

1. Basis of consolidation:

The parent company operates in the United States and the accompanying financial statements are expressed in U.S. currency. The accounts of the company's subsidiaries, Canadian D. A. Stuart Oil Co. Limited and D. A. Stuart Oil Co. (G.B.) Limited, have been translated on the following basis:

Current assets and liabilities, at exchange rates prevailing at May 31, 1966;
Fixed assets, capital stock and earnings accumulated prior to June 1, 1964 on the basis of $1, U.S., = $1, Canadian, and $2.80, U.S., = £1;
Income and expenses and additions to fixed assets, at average rates during the years since June 1, 1964.

2. Retained earnings:

Until the bank term loan has been repaid, the lender's permission is required to declare annual dividends in excess of $200,000, which has been granted this year.

Dividends from the subsidiary in the United Kingdom are subject to exchange control authorization, which is usually granted, and withholding taxes at time of payment.

3. Statutory information:

The following are reflected in net income for year:

	1966	1965
Income from investment in marketable securities	$ 2,660	$ 2,660
EXPENSES:		
Depreciation	$111,548	$103,409
Interest on long-term liability	$ 12,250	$ 17,853
Directors' fees	$ 3,500	$ 3,000

4. Future commitment:

An agreement has been made for the acquisition of additional production facilities which will require a payment of $150,000, by December 1, 1966.

ITS WHOLLY OWNED SUBSIDIARIES

AUDITOR'S REPORT

To the Shareholders of
D.A. Stuart Oil Co., Limited:

We have examined the consolidated balance sheet of D.A. Stuart Oil Co., Limited and its wholly owned subsidiaries as at May 31, 1966 and the consolidated statements of income and retained earnings for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and related consolidated statements of income and retained earnings present fairly the combined financial position of D. A. Stuart Oil Co., Limited and its wholly owned subsidiaries as at May 31, 1966 and the results of their combined operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying consolidated statement of source and use of funds which, in our opinion, when considered in relation to the aforementioned statements, presents fairly the net changes in the working capital position of the companies for the year ended May 31, 1966.

Toronto, Canada
June 24, 1966.

THORNE, MULHOLLAND, HOWSON & McPHERSON
Chartered Accountants

INTERNATIONAL FACILITIES: UNITED STATES • CANADA •

1 INTERNATIONAL

ARGENTINA, Buenos Aires
Argenoil Soc. Com. p. Acc.

AUSTRALIA, New South Wales
Ampol Petroleum Ltd.

ENGLAND, Wolverhampton
D. A. Stuart Oil Co. (G.B.) Ltd.

JAPAN, Tokyo
Takata & Co. Ltd.

PUERTO RICO, Hato Rey
General Gases & Supplies

SOUTH AFRICA, Johannesburg
Jet Oil Company (Pty) Ltd.

SCOTLAND, Stirling
C. A. Rankine

2 DISTRIBUTORS

ATLANTA, Ga.
Cowan Supply Company

BIRMINGHAM 2, Ala.
Young & Vann Supply

DENVER, Colo.
Union Supply Co.

GREENVILLE, Miss.
Walcott Chemicals, Inc.

KANSAS CITY, Mo.
Dens-Oil Lubricant Company

LOS ANGELES, California
Los Angeles Oil and Grease

MINNEAPOLIS, Minn.
The Satterlee Company

OKLAHOMA CITY, Okla.
Hart Industrial Supply

PORTLAND, Maine
Loren Dyer Co., Inc.

PORTLAND, Oregon
Davis Industrial Products

SAN MATEO, California
Bay City Oil Company

SEATTLE, Washington
Seaport Supply Company

TAMPA, Florida
Tool & Die Supply Company

TULSA, Oklahoma
Hart Industrial Supply
Krisman Industrial Supply

3 MANUFACTURING

CHICAGO, Illinois
D. A. Stuart Oil Co., Ltd.

SOMERVILLE, New Jersey
D. A. Stuart Oil Co., Ltd.

SCARBOROUGH, Ontario Canada
Canadian D. A. Stuart Oil Co., Ltd.

4 WAREHOUSES

DALLAS, Texas
O'Neal Delivery Service

DAYTON, Ohio
Lewis & Michael Inc.

HOUSTON, Texas
Palmer Whse. & Trans. Co.

INDIANAPOLIS, Indiana
Merchandise Warehouse Company

SYRACUSE, New York
Robert M. Haley Warehouse

5 BULK PLANTS

CHICAGO, Illinois
CLEVELAND, Ohio
DETROIT, Michigan
SOMERVILLE, New Jersey
SOUTH WINDSOR, Connecticut

• EUROPE

Stuart

6

EUROPE

AUSTRIA, Vienna XII
J. Plaut

BELGIUM, Vilvorde
Ets. Mottay & Pisart, S.A.

DENMARK, Kopenhagen-Gentofte
Firma P. V. Nordentoft

FINLAND, Helsinki
Oy Teknoma AB

FRANCE, Paris 17e
Dasco S.A.

W. GERMANY, Raunheim A.M.
Stuart GmbH

ITALY, Milan
Univers S.p.A.

NORWAY, Oslo
Axo Kjemiske Fabrikk A.S.

PORTUGAL, Lisboa 6
Lubriol-Sociedade Comercial de Repr Lda.

SPAIN, Madrid 20
Stuart Oil (Espana) S.A.

SWEDEN, Goteborg 1
A.B. Axel Christiernsson

SWEDEN, Stockholm 37 - Vartan
A.B. Axel Christiernsson

SWITZERLAND, Berne
Milloil GmbH

SWITZERLAND, Berne CH 3001
Walo von Muhlenen Ltd.

INTERNATIONAL AGENCIES

ARGENTINA, Buenos Aires
Argenoil Soc. Com. p. Acc.
Cangallo 1610

AUSTRALIA, New South Wales
Ampol Petroleum Ltd.,
Buchanan Street
Balmain

AUSTRIA, Vienna XII
J. Plaut
Hetzendorferstrasse 19

BELGIUM, Vilvorde
Ets Mottay & Pisart S.A.
42 Steenkaai

CANADA, Scarborough, Ontario
Canadian D. A. Stuart Oil Co. Limited
43 Upton Road

DENMARK, Kopenhagen-Gentofte
Firma P. V. Nordentoft
Brogaardsvaenge 1

ENGLAND, Wolverhampton
D. A. Stuart Oil Co. (G.B.) Limited
Lincoln Street

FINLAND, Helsinki
Oy Teknoma Ab
Fredrikink. 30 Fredriksg.

FRANCE, Paris 17e
Dasco S.A.
2, rue Gounod

W. GERMANY, Raunheim a.M.
Stuart GmbH, Robert Koch
Strasse 6

ITALY, Milan
Univers S.p.A.
Via Valvassori Peroni N. 47a

JAPAN, Tokyo, Chiyoda-ku
Takata & Co. Ltd.,
Kojima Building
12, Kanda Kajicho 2-Chome

NORWAY, Oslo
Axo Kjemiske Fabrikk A/S
Gladengveien 14

PORTUGAL, Lisboa, 6
Lubriol-Sociedade Comercial
de Repr. Lda.
Rua Fraternidade Operaria, Lote C-A/B

SOUTH AFRICA, Johannesburg
Jet Oil Company (Pty) Ltd.
c/o P.O. Box 23598

SPAIN, Madrid 20
Stuart Oil (Espana) S.A.
Marques de Cortina 1
Apartado de Correos

SWEDEN, Goteborg, 1
A. B. Axel Christiernsson
Box 147

SWEDEN, Stockholm—Vartan 37
A. B. Gullander & Co.
Postfack

SWITZERLAND, Berne
Milloil G.m.b.H.
Bahnstrasse 44

SWITZERLAND, Fribourg — 2
Walo von Muhlenen Ltd.
P.O. Box 70, CH-1700

Stuart

D. A. STUART OIL CO., LIMITED
2727 SOUTH TROY STREET, CHICAGO, ILLINOIS 60623

D. A. STUART OIL CO. (G.B.) LIMITED
LINCOLN STREET, WOLVERHAMPTON, ENGLAND

CANADIAN D. A. STUART OIL CO. LIMITED
43 UPTON ROAD, SCARBOROUGH, ONTARIO, CANADA

STUART SERVICE CENTERS

CHICAGO, Illinois 60623
D. A. Stuart Oil Co., Limited
2727 S. Troy Street, BIshop 7-7100

CLEVELAND, Ohio 44113
D. A. Stuart Oil Co., Limited
1730 Train Ave.
Prospect 1-7411

BIRMINGHAM, Michigan 48011
D. A. Stuart Oil Co., Limited
960 East Maple Road, 647-3500

SO. WINDSOR, Connecticut 06074
D. A. Stuart Oil Co., Limited
781 Route 5 P.O. Box 102
528-4137

SOMERVILLE, New Jersey 08876
D. A. Stuart Oil Co., Limited
P.O. Box 130 Randolph 2-5500

SCARBOROUGH, Ontario Canada
Canadian D. A. Stuart Oil Co. Limited
P.O. Box 430, 43 Upton Road
Plymouth 7-3227

STUART DIRECT SALES WAREHOUSES

DALLAS 7, Texas
c/o O'Neal Delivery Service
1321 Dragon Street
RI 7-3762

DAYTON, Ohio 45407
c/o Lewis & Michaels Warehouse
10 S. Conover Street, 226-1681

HOUSTON, Texas
c/o Palmer Whse. & Trans. Co.
P.O. Box 18301

INDIANAPOLIS, Indiana 46225
c/o Merchandise Warehouse Co., Inc.
1414 South West Street, Melrose 2-2525

SYRACUSE, New York 13206
c/o Robert M. Haley Warehouse
404 N. Moler Ave., HO 3-8647

STUART DISTRIBUTORS

ATLANTA, Georgia 30318
Cowan Supply Company
485 Bishop St. N.W., 875-9021

BIRMINGHAM, Alabama 35202
Young & Vann Supply Co.
P.O. Box 2532
1731 First Ave. N. 252-5161

DENVER, Colorado 80216
Union Supply Co.
5460 Colorado Boulevard
P.O. Box 6735 266-2292

GREENVILLE, Mississippi 38701
Walcott Chemicals, Inc.
736 Alexander Street, ED 2-1861

KANSAS CITY, Missouri 64141
Dens-Oil Lubricant Co.,
1665 Jarboe
P.O. Box 1223, V12-3265

LOS ANGELES, California 90022
Los Angeles Oil & Grease Co.
2313 Yates Avenue, RA 3-1208

MINNEAPOLIS, Minnesota 55404
The Satterlee Company
2200 E. Franklin Avenue
Federal 3-5264

OKLAHOMA CITY, Oklahoma 73101
Hart Industrial Supply
726 W. Sheridan
P.O. Box 1925

PORTLAND, Maine 04104
Loren Dyer Co., Inc.
1039 Washington Ave., 797-2871

PORTLAND, Oregon 97209
Davis Industrial Products Co.
338 N.W. 6th Avenue
CA 8-6211

SAN MATEO, California 94403
Bay City Oil Company
11 Vista Avenue,
415-341-3424

SEATTLE, Washington 98107
Seaport Supply Company
902 N.W. Leary Way, SU 4-9030

TAMPA, Florida 33609
Tool & Die Supply Company
P.O. Box 18121, 876-1346

TULSA, Oklahoma 74101
Hart Industrial Supply
4236 So. 74th East Avenue
P.O. Box 2329 918-LU 3-2175

TULSA, Oklahoma 74101
Krisman Industrial Supply Company
P.O. Box 1319 - 308 East Fourth Street
LU 3-6213

PUERTO RICO, Hato Rey
General Gases & Supplies Corp.
50 Munoz Rivera Avenue
Box 714, 6-2113

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